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MICHAEL RODAK, JR., CL

IN THE

Supreme Court of the United States

OCTOBER TERM, 1972.

No. 72-1124

HYDROCRAFT, INC., AN OHIO CORPORATION, PAUL W. SCHLOSSER, AN INDIVIDUAL, AND EDWIN H. DRATH, AN INDIVIDUAL,

Petitioners,

vs.

PANTHER PUMPS & EQUIPMENT COMPANY, INC., AN ILLINOIS CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

ALVIN D. SHULMAN,
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
Suite 2100,
Two First National Plaza,
Chicago, Illinois 60670,
312/346-5750.

ARTHUR T. SUSMAN,
PRINS, FLAMM & SUSMAN,
33 North Dearborn Street,
Chicago, Illinois 60602,
312/346-3461,
Attorneys for Petitioners.

THE BLAKELY PRINTING COMPANY, CHICAGO

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vs.

PANTHER PUMPS & EQUIPMENT COMPANY, INC., AN ILLINOIS CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioners (hereafter referred to collectively as Hydrocraft) pray that a writ of certiorari issue to review the Judgment of the United States Court of Appeals for the Seventh Circuit entered on October 24, 1972.

OPINIONS BELOW.

The opinion of the United States Court of Appeals for the Seventh Circuit, for which review is sought, is reported at 468 F. 2d 225, 175 U. S. P. Q. 577 (7th Cir. 1972) and is

printed in the Appendix hereto at A. 1-16. The only part of the opinion relevant to this petition is at A. 3-6. There was no opinion at the trial court level.

JURISDICTION.

Jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

The judgment of the Court of Appeals was entered on October 24, 1972. A timely Petition For Rehearing was denied on November 16, 1972.

QUESTIONS PRESENTED.

1. What are the guidelines for judicially reviewing a jury's legal conclusion on patent validity?

2. Can a Court of Appeals decline to judicially review a legal conclusion on patent validity when the conclusion was made by a jury rather than by a trial judge?

3. Is there a lower standard of judicial review on the legal question of patent validity when the question is decided by a jury rather than by a trial judge?

STATUTE INVOLVED.

United States Code, Title 35, § 103.

"Conditions for patentability; non obvious subject matter.

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having

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ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made."

STATEMENT OF THE CASE.

This is a patent infringement suit brought by respondent Panther Pumps & Equipment Co., Inc. (Panther) against petitioners Hydrocraft et al., alleging infringement of two U. S. Patents, Nos. 3,254,845 and 3,367,270.

The case was tried to a jury at the demand of Panther.

The ultimate legal question of patent validity was submitted to the jury. The trial court refused to submit to the jury special interrogatories directed to the factual determinations underlying the legal conclusion on validity and refused to give the jury peremptory instructions.* On the ultimate legal issue of validity, that issue itself was the *only* question submitted to the jury (A. 16).

The jury concluded that the patent claims were valid but gave no expression to the underlying factual determinations which this Court has held must be made as a basis for the legal conclusion on validity.**

On appeal, petitioners argued that, in reviewing the jury's legal conclusion of patent validity, the Court of

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* *i.e.*, an instruction that the jury should return one verdict if the facts are found one way and another verdict if the facts are found otherwise (A. 5, 17).

** *Graham* v. *John Deere Co.*, 383 U. S. 1, 17 (1966). These factual determinations are directed to obviousness under 35 U. S. C. § 103, and consist of:

(1) the scope and content of the prior art;

(2) the level of ordinary skill in the art; and

(3) the differences between the patent claims and the prior art.

Appeals was required to make its own independent legal conclusion on validity, including obviousness under 35 U. S. C. § 103, in order to determine whether the proper legal standard was applied by the jury, and that, in doing so, it had to base its legal conclusion on factual determinations of the type set forth by this Court in *Graham* v. *John Deere Co.*, 383 U. S. 1, 17 (1966).

Because the trial court refused to submit special interrogatories of the type described and refused to give peremptory instructions, petitioners argued that there was a complete absence of the factual determinations necessary to enable appellate review in accordance with *Graham* guidelines.

Because there were no factual determinations, of the type required by *Graham*, petitioners further argued that the Court of Appeals could not review the legal conclusion on patent validity under the *Graham* guidelines; and we requested that the case be remanded for the required factual determinations. The request was ignored.

Further, petitioners separately argued that there was a procedural error arising from the refusal of the trial court to submit to the jury special interrogatories from which the required factual determinations could have been obtained.

In its opinion, the Seventh Circuit acknowledged that the jury's legal conclusion on patent validity was subject to review by it and that, in making such a review, the *Graham* guidelines are to be followed (A. 4-5). The Seventh Circuit further held (A. 5-6) that the *Graham* guidelines can be followed without requiring special interrogatories because the factual determinations, on

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which a *Graham*-type review must be based, can be presumed from peremptory-type jury instructions (none of which were present here). The Seventh Circuit declined to consider the refusal of the trial court to submit peremptory-type instructions to the jury as a procedural error because, in the view of the Seventh Circuit, petitioners did not expressly raise it as such, prior to oral argument (A. 6, n. 10).

Having disposed of the procedural issues, and having held that the absence of special interrogatories did not preclude it from reviewing the legal conclusion of validity under the *Graham* guidelines (A. 5), it was then incumbent upon the Seventh Circuit to make the review which petitioners had argued it ultimately had to make.

However, no such review was made, nor could it have been because the factual determinations required as a basis for such a review were completely absent.*

In a Petition For Rehearing, petitioners pointed out to the Seventh Circuit that it had failed to make *any* judicial review of the jury's legal conclusion on patent validity, and we requested that the court do so or take such steps (*e.g.*, remand) as would enable it to do so. Our petition was denied without comment (A. 18). There was no remand.

Thus, without stating any reason for its unprecedented action, the Seventh Circuit has simply declined to review the disputed legal issue of validity.

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* As indicated in the Seventh Circuit's opinion, there were only two possible sources for such factual determinations: (1) answers to special interrogatories or (2) presumptions from peremptory-type jury instructions (A. 5-6); and neither was present here (A. 5, 17).

REASONS FOR GRANTING THE WRIT.

A. There Is Uncertainty and Confusion as to How a Court Should Judicially Review a Jury's Legal Conclusion on Patent Validity.

Prior to this case, no court has defined how the required *Graham* guidelines, for judicially reviewing the legal question of patent validity, can be applied to a jury verdict on validity. As a result there is uncertainty and confusion, as evidenced by the Seventh Circuit's complete failure to conduct any review at all, even after acknowledging that it was supposed to review in accordance with *Graham* guidelines. The Seventh Circuit simply did not know how to proceed.

This case was no isolated incident. The consensus among Federal judges is that patent cases tried to a jury are "a mess":

> "I have heard of them from my colleagues and all they said, that it was a mess. I haven't heard of a single judge in this district, or any district in the United States who thought it made sense to have a jury trial in a patent case."*

Guidance by this Court is sorely needed.

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* Statement in open court by Judge Hubert Will, in *Reiffin* v. *Heath Company*, Civil Action No. 72 C 1843 (N. D. Ill.) (Transcript of Proceedings of December 20, 1972, p. 15).

B. The Seventh Circuit's Decision Emasculates This Court's Requirement That the Courts Apply a Uniform Standard in Judicially Reviewing the Legal Question of Patent Validity.

C. The Seventh Circuit's Decision Creates a Lower Standard of Judicial Review on the Legal Question of Validity When the Question Is Decided by a Jury Than When it Is Decided by a Trial Court.

Questions of patent validity, including the question of obviousness, are legal questions calling for conclusions of law. *Graham* v. *John Deere Co.*, 383 U. S. 1, 17 (1966). The question of patent validity is a matter of great public interest, *Lear, Inc.* v. *Adkins*, 393 U. S. 653, 670, 674 (1969); *Blonder-Tongue Labs.* v. *University Foundation*, 402 U. S. 313, 343 (1971); and this public interest requires that, in resolving the question of patent validity, a correct and uniform standard of review be applied by the courts. *Graham*, 383 U. S. at 18.

To promote a uniform standard from court to court and from case to case, this Court has required that, in determining the legal question of obviousness, there must first be three underlying factual inquiries:

(1) the scope and content of the prior art;

(2) the level of ordinary skill in the art;

(3) the differences between the patent claims and the prior art;

Graham, 383 U. S. at 17; and this Court has held that these requirements must be strictly observed. *Graham*, 383 U. S. at 18; *Anderson's-Black Rock* v. *Pavement Salvage Co.*, 396 U. S. 57, 62 (1969).

The *Graham* and *Anderson's* opinions reflect the safeguards this Court has constructed to protect the public interest in patent matters. Such safeguards are especially appropriate on the question of patent validity because, as recognized by Judge Learned Hand in *Harries* v. *Air King Prods. Co.*, 183 F. 2d 158, 162 (2d Cir. 1950), the issue of patent validity is "as fugitive, impalpable, wayward, and vague a phantom as exists in the whole paraphernalia of legal concepts. . . . If there be an issue more troublesome, or more apt for litigation than this, we are not aware of it."

Such safeguards become even more important in patent cases tried to a jury because courts have noted the extreme difficulties to be encountered in instructing the jury (A. 6) and the doubtful ability of jurors with only ordinary experience to comprehend the complex issues (A. 16-17) and to reach a correct conclusion. *General Tire & Rubber Co.* v. *Watkins*, 331 F. 2d 182, 197-98 (4th Cir. 1964).

In *non*-jury cases, where *some* of the required factual determinations were unavailable for use by the appellate courts in reviewing the legal conclusion on obviousness, the Appellate Courts, including the Seventh Circuit, have remanded to have such determinations made. *Cloud* v. *Standard Packaging Corp.*, 376 F. 2d 384, 391-92 (7th Cir. 1967); *Ramirez* v. *Perez*, 169 U. S. P. Q. 321 (5th Cir. 1971); *Republic Molding Corp.* v. *B. W. Photo Utilities*, 319 F. 2d 347, 351-52 (9th Cir. 1963); *Yavitch* v. *Seewack*, 323 F. 2d 561, 562-63 (9th Cir. 1963).

In this *jury* case, *all* the required factual determinations were absent, thereby totally preventing the Court of Appeals from making the required judicial review on validity; nevertheless the Seventh Circuit refused to remand to have

such determinations made, thereby precluding a judicial review on validity.

Not only is the decision of the Seventh Circuit contrary to the decisions of this Court in *Graham* and *Anderson's* and to the decisions of Appellate Courts in other circuits, but, also, it is contrary to decisions of even the Seventh Circuit in non-jury cases.

The uniformity of judicial review, which this Court intended when it laid down the required guidelines in *Graham*, has been flouted. The practical effect of the Seventh Circuit decision is to completely eliminate a judicial review on validity when that legal conclusion is made by a jury.

As one Federal judge has noted:

> ". . . I don't understand how the Court of Appeals can be expected to give as careful consideration to the results of a patent case where the jury decided for the plaintiff or for the defendant, no findings of fact, no conclusions of law, no opinion, as they can when they have got a fairly detailed determination of the trier of facts as to how he came to the conclusion he did."*

In *Graham*, this Court observed that there was "a notorious difference between the standards applied by the Patent Office and by the courts." 383 U. S. at 18; and it was against the background of this observation that this Court laid down the strict guidelines to which the courts must adhere in judicially reviewing the validity of a patent.

Since *Graham*, courts following the *Graham* guidelines have declared invalid the vast majority of patents subjected to judicial review.**

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* Judge Hubert Will in *Reiffin* v. *Heath Company*, Civil Action No. 72 C 1843 (N. D. Ill.) (Transcript of Proceedings of December 20, 1972, p. 16).

** Over 70% in the first four years following *Graham*, based on cases reported in United States Patent Quarterly.

In contrast to the courts, a jury is inclined to rubber-stamp the Patent Office's determination on validity. In the same post-Graham period in which courts were declaring *invalid* over 70% of judicially reviewed patents, juries were declaring *valid* 100% of the patents on which they decided the legal question of patent validity, and in each such instance the jury's legal conclusion was reversed by a court judicially reviewing it.*

The basis for this discrepancy is readily apparent. When a juror is confronted with a patent, he is subject to psychological intimidation by the imposing appearance of the Letters Patent itself, with its blue ribbon and red seal carrying the imprimatur of the United States of America. Moreover, unlike courts, jurors are not inclined to overrule a sovereign act of the executive branch of the United States government. This is something totally outside their experience. These are all the more reason for strict adherence to the *Graham* guidelines in judicially reviewing the jury's legal conclusion on patent validity, rather than dispensing with them, as did the Seventh Circuit.

If the Seventh Circuit decision here is allowed to stand, patentees with patents of questionable validity and who would never dare subject their patents to a judicial review under *Graham* guidelines, will be asserting their patents against the public and demanding jury trials secure in the knowledge that their patents will be subjected to the lower standard of judicial review created by the Seventh Circuit decision; and the uniformity, which this Court intended to construct with the *Graham* guidelines, will be effectively emasculated.

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* Based on cases reported in United States Patent Quarterly.

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CONCLUSION.

The public interest requires that the legal question of patent validity be subjected to the scrutiny of judicial review in accordance with prescribed guidelines. This Court has defined how these guidelines are to be applied to judicial review in non-jury cases; but, prior to this case, no court has described how these guidelines can be applied to judicial review in jury cases. The result, in a jury case, is uncertainty, confusion, a lower standard of invention and a lower standard of review, even no review at all. Guidance is sorely needed.*

Respectfully submitted,

ALVIN D. SHULMAN,
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
Two First National Plaza,
Suite 2100,
Chicago, Illinois 60670,
312/346-5750,

ARTHUR T. SUSMAN,
PRINS, FLAMM & SUSMAN,
33 North Dearborn Street,
Chicago, Illinois 60602,
312/346-3461,
Attorneys for Petitioners.

* The problem here is so simple and the solution so clear as to render this case readily susceptible to summary disposition; viz., remand the case to the Seventh Circuit with instructions to remand to the trial level for the purpose of having the trial level make the factual determinations necessary to enable a judicial review in accordance with *Graham* guidelines, something which no court at any level has thus far done in this case.

APPENDIX.

IN THE UNITED STATES COURT OF APPEALS

For the Seventh Circuit

September Term, 1972 — September Session, 1972

No. 71-1125

PANTHER PUMPS & EQUIPMENT CO., INC.,
Plaintiff-Appellee,

vs.

HYDROCRAFT, INC., PAUL W. SCHLOSSER, and EDWIN H. DRATH,
Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

No. 67-C-201.

Richard B. Austin, Judge.

Argued September 15, 1972—Decided October 24, 1972

Before HASTINGS, *Senior Circuit Judge,* and PELL and STEVENS, *Circuit Judges.*

STEVENS, *Circuit Judge.* A jury found one claim in each of two patents[1] owned by plaintiff valid and infringed by defendants' paint spray unit and awarded damages of $150,000 against the corporate defendants and $5,000 against each of the two individual defendants.

1. Claim 23 of Patent No. 3,254,845 relating to "fluid power transfer apparatus" issued on June 7, 1966; and claim 19 of Patent No. 3,367,270 issued on February 6, 1968. Both patents issued to Panther Pumps & Equipment Company, Inc., as assignee of Paul W. Schlosser.

This appeal raises six separate issues: (1) whether the court erred as a matter of law or abused its discretion by refusing to submit 32 special interrogatories to the jury; (2) whether the court permitted the jury to find infringement of a dependent claim after ruling that the claim from which it depends is not infringed; (3) whether a claim on an apparatus designed to avoid overheating by means of "cavitation cooling" can be infringed by a pump which operates at an increased temperature on standby; (4) whether the fact that one of plaintiff's licensees agreed not to contest the validity of the patent is a "misuse" which forecloses any relief against infringers; (5) whether the damage award against the corporate defendant is excessive; and (6) whether separate recovery against the individual defendants is proper. Except for the last point, we find no merit in defendants' appeal. Only a brief statement of the facts is necessary as a preface to our discussion of the issues.

The claims describe a hydraulic pump used to operate a paint spray gun. Spray painting normally is an intermittent operation; frequently, instead of turning off the entire unit when spraying is discontinued, the pump continues to operate on "standby." The patented invention improves the efficiency of standby operation.

The apparatus contains one chamber housing the "driving fluid" and another containing the paint, or "pumped fluid." The standby operation is designed to permit the immediate resumption of spraying without permitting the continued operation of the power source in the driving fluid chamber to cause a substantial buildup of pressure or temperature when the gun is not spraying paint. In the prior art, overheating of the driving fluid was avoided by recirculation of that fluid through bulky auxiliary equipment which included heat exchange apparatus such as a relatively large cooling tank. Much of that auxiliary

equipment may be eliminated by the use of the patented invention which takes advantage of the cooling effect which occurs when liquid is evaporated. By creating a partial vacuum, or "cavitation," in the driving liquid chamber, some of the liquid vaporizes and produces "caviation cooling." Some of the bulk and inefficiency of prior art pumps is thereby obviated.

Schlosser and Draft, the two individual defendants, are former employees of the plaintiff. Schlosser conceived the patented invention and assigned it to plaintiff while still in plaintiff's employ. Subsequently, he, Drath, and a third party organized the defendant corporation and in due course developed the infringing models which are manufactured and sold by the corporate defendant. This simple history, stressed repeatedly during the trial, may explain plaintiff's unusual decision to demand a jury trial in a patent case.

I.

Defendants challenge the manner in which the case was submitted to the jury. Defendants do not argue that it was error to submit either the entire case or any specific issue to the jury.[2] The contention is not that the jury was permitted to decide questions of law; rather, it is argued that in view of the way the jury verdict was reached, it is impossible for a reviewing court to determine whether the three-step analysis required by *Graham* v. *John Deere Co.*, 383 U. S. 1, 17, was properly made.

As defendants phrase their argument, "The Legal Conclusion On Patent Validity Must Be Reversed For Failure To Give Verbal Expression To The Required Factual De-

2. All issues relating to validity and infringement were treated as issues of fact and submitted to the jury with four special interrogatories. The special interrogatories asked whether each of the two claimed patents were valid and whether they were infringed.

terminations."[3] Defendants argue that "without such findings, there is no way for a reviewing court to determine whether the correct legal standard was applied."[4]

Unquestionably, the issue of validity is a question of law. Moreover, as this court squarely held after considering the matter *en banc*, the issue of obviousness is also a question of law. *Armour & Co.* v. *Wilson & Co.*, 274 F. 2d 143, 151-157 (7th Cir. 1960). But we also concluded in *Armour* that "the rules governing the trial of patent cases are no different than in other types of civil litigation, and further, that the scope of our review on appeal follows the same pattern." *Id.* at 157.[5]

In a patent case, as in any other case tried to a jury, questions of law are for the court and questions of fact are for the jury.[6] Our rules do not contemplate that a jury may be asked to make the kind of detailed findings of fact which Rule 52(a) of the Federal Rules of Civil Procedure requires of a judge who sits without a jury. Therefore, if defendants are, in effect, arguing that such findings must be made by a jury in a patent case, the argument is unacceptable.

In the normal jury trial, allocation between judge and jury of their respective decisional responsibilities may

3. Appellants' brief, p. 17.

4. *Id.* at 16

5. In stating the question before the *en banc* court in that case, Judge Hastings also pointed out that "it can hardly be resolved in such abstract terms limited to patent litigation. It can better be considered in the light of our appellate review of civil litigation generally." 274 F. 2d at 151.

6. We note that both parties and the court confused issues of fact with issues of law. For example, defendants' requested special interrogatory number 27 reads as follows:

> "27. If the answer to Interrogatory No. 26 is 'no', would the claimed invention of U. S. Patent No. 3,367,270 have been obvious to one skilled in the art of piston-diaphragm pumps and who had all the prior art before him, including British Simpson Patent No. 887,774?"

be accomplished by the use of special interrogatories or special verdicts, or by the court's instructions to the jury before it returns a general verdict. Which method is appropriate in a particular case is a matter to be determined by the wise discretion of the trial court in the circumstances of the particular litigation before it. When only two or three narrow issues of fact, such as the date of invention or perhaps the date of first public sale, determine the issue of patent validity, it may be entirely appropriate to submit special interrogatories to the jury. But if, as in this case, one party contends that as many as 32 separate fact questions must be resolved, the trial judge certainly may consider it inappropriate to use the special interrogatory procedure.[7]

In this case, the trial judge was not required, as a matter of law, to submit special interrogatories to the jury, and we hold that he did not abuse his discretion in refusing to do so.

This holding does not mean, as defendants contend, that the legal conclusion on patent validity may not be reviewed under the *John Deere* guidelines whenever a jury returns a general verdict. As in any other jury trial, the court's rulings on questions of law are subject to review. If the ultimate issue of validity depends on subsidiary fact questions, it is the court's duty to instruct the jury that it should return one verdict if the facts are found one way and a different verdict if the facts are found otherwise.[8] In such event, as in other cases tried to a jury, the reviewing court will presume that the disputed matters of fact have been resolved favorably to the

7. The trial judge made it clear that he thought the use of 32 special interrogatories would confuse the jury. A. 59 (quoting transcript of June 17, 1970, at 19).

8. Of course, if there are no disputed fact issues affecting validity, the court may simply instruct the jury that the patent is either valid or invalid.

prevailing party in accordance with the trial judge's instructions.

The task of giving error-free instructions in a patent case may indeed be extremely difficult.[9] But we are not asked in this case to consider whether the instructions to the jury were improper in any respect. We therefore have no occasion to express any opinion about the adequacy of the instructions as a whole, or any specific instruction which may have been given over the objection of the losing party.[10]

We therefore find no merit in the attack which appellants have made on the procedure followed by the trial judge in submitting this case to the jury.

II.

Each of the infringed claims depends from a broader claim. Thus, claim 23 of the '845 patent reads:

> "23. A fluid power transfer apparatus substantially as set forth in claim 22, said prime mover being a pump, and said variable load material being a paint spray gun."

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9. Presumably this is only one of the many reasons why members of the Patent Bar have wisely avoided jury trials in patent litigation. "Most patent cases are tried to the court. In fiscal 1968, 1969, and 1970, the total number of patent cases going to trial and the number of patent cases going to juries were, respectively: 1968—131, 2; 1969—132, 8; and 1970—119, 3. Annual Reports, 1968-1970, Table C-8." *Blonder-Tongue Laboratories, Inc.* v. *University Foundation*, 402 U. S. 313, 336.

10. No argument directed at the form of the instructions has been advanced by appellants. Indeed, prior to oral argument the instructions were not even made a part of the record on appeal. Four days after argument, appellants filed a motion to amend the record by the addition of the instructions. We have granted that motion. However, we refuse to consider any issues raised for the first time after oral argument, particularly since appellants' belated attack on the instructions amounts to little more than a general invitation to review the record in search of error.

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Claim 22, in turn, depends from claim 1 of the '845 patent,[11] and claim 19 of the '270 patent depends from claim 12.[12]

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11. Claims 22 and 1 of patent '845 read as follows:

"22. A fluid power transfer apparatus substantially as set forth in claim 1 including a variable load material in combination with said housing, and wherein said movable means is a prime mover for moving said variable load material, said drive fluid is a liquid disposed between said prime mover and said variable load comprising relatively incompressible liquid means interposed between said prime mover and said variable load material and means responsive to variations of the variable load material being driven for controlling a conditions establishing driving and non-driving relationships of said prime mover and said variable load material, said non-driving relationship being characterized by cyclic vaporizing and condensing of said liquid whereby to limit horsepower consumption of said prime mover."

"1. A fluid power transfer apparatus including a housing defining chamber, a driving fluid in said chamber, said fluid having reversible vapor and liquid phases, and movable means for alternately applying and removing pressure forces to and from said fluid to cause reversal between said phases."

12. Claims 19 and 12 of the '270 patent read as follows:

"19. The liquid driven diaphragm fluid pump of claim 12 wherein the reciprocating piston comprises a power means for driving a variable capacity load of pumped liquid, a driving liquid disposed between said reciprocating piston and said variable capacity load of pumped liquid, and automatically activated means responsive to the demand of said load for controlling the consumption of power of the prime mover."

"12. In a liquid driven diaphragm fluid pump of the character described wherein the diaphragm has limiting positions of movement in the pump housing, a reciprocating piston in said housing for driving a mass of liquid for driving said diaphragm, means for controlling the quantity of the liquid in said housing comprising, a source of driving liquid, liquid supply valve means in liquid communication between said source and the mass of liquid, means for biasing said supply valve means to closed position and being opened by relatively low liquid pressure, liquid vent valve means in liquid communication with the mass of liquid and liquid low pressure outlet for said vent valve means, said vent valve means being biased to closed position and being opened by pressure exerted by the driving liquid when said exerted pressure exceeds the pressure of the pumped fluid by a predetermined degree of pressure, and valve means on the pumped fluid side of the diaphragm for controlling the delivery of pumped fluid and

It is clear, as defendants argue, that a product which did not infringe claim 22 of the '845 patent could not infringe claim 23. Thus, if the court made a final adjudication of noninfringement of claims 1 and 22 of the '845 patent and claim 12 of the '270 patent, such an adjudication would foreclose recovery for infringement of the claims in suit.

Defendants contend that the district court's direction of a verdict against plaintiff on all claims except 23 of '845 and 19 of '270 should be so construed. The record clearly establishes, however, that the trial judge merely intended to preclude recovery on any claim except insofar as it was incorporated by reference in claims 23 and 19. Thus, to the extent that infringement of claims 1 and 22 of the '845 patent was an essential element of plaintiff's proof of infringement of claim 23, the judge's ruling was not intended to foreclose that element of plaintiff's case. We do not construe the judge's action, as explained in the colloquies which preceded his direction of a verdict on all claims except 23 and 19, portions of which are set forth in the margin, as an adjudication of noninfringement of the broader claims incorporated by reference in the infringed claims.[13]

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including a closable pumped fluid port, said control valve means, when closed, causing operation of said vent valve means at one limiting position of the diaphragm."

13. On the day before plaintiff rested, the following occurred:

"The Court: Well, I mean, let's simplify it ultimately. You are relying on 19 by virtue of the fact 19 embraces 12 and to the extent that it embraces 12, right?

"Mr. Petherbridge: Yes.

"The Court: And the other patent, 23, to the extent that it embraces 22, and 22 embraces 1?

"Mr. Petherbridge: Right.

"The Court: By reference. It is a reference.

"Mr. Petherbridge: Right, so that you have a complete claim, and the claim here then in the suit—the first patent in suit—Claim 23 is a combination claim embracing all of the elements set forth in 21, 22 and 23." A. 165.

(Continued on Next Page)

If the defendants' interpretation of the court's directed verdict were correct, there would have been no occasion for defendants to spend an entire week of trial putting in their defense. They would have asked for and received a directed verdict on claims 23 and 19. That they did not lends support to our conclusion. We find no merit in defendants' argument on appeal that the judge's direction of a verdict on all claims except 23 and 19 should foreclose recovery for infringement of the two claims he obviously intended to preserve.

III.

Defendants correctly point out that "cavitation cooling" is an element of the patented invention even though those words do not appear in the claims. Defendants adduced evidence indicating that the temperature of the fluid in their pump increases from about 68° to 124° during stand-by operation. Since the operation resulted in heating the fluid, it is argued either (a) that a patent which requires "cooling" cannot have been infringed, or (b) that if

---

The next day, when plaintiff completed its case, this colloquy occurred:

"The Court: What are the motions?

"Mr. Shulman: We move for a directed verdict, first of all, on all claims of the -845 patent except claim 23, which defendant has conceded—

"The Court: I mean with the exception that 23 embraces 22 and 1.

"Mr. Shulman: It embraces them by reference, but 22 by itself and 1 by itself, they are not asserting, is that right?

"Mr. Petherbridge: For the purposes of this trial only, we are asserting the infringement of that composite claim.

"Mr. Shulman: It is only one claim.

"The Court: In regard to the -845 patent you are only asserting Claim 23.

"Mr. Petherbridge: Yes.

"Mr. Susman: As it incorporates by reference.

"The Court: That is what the issue is in regard to from now on." A. 166.

"heating" is construed as infringing the "cooling claim," the claim is invalid for vagueness.

We regard these arguments as little more than a play on words. As we understand the "cooling" concept, whether by cavitation or by circulation through a heat exchanger, it merely involves the removal of some heat that would otherwise cause a higher temperature. Conceivably, without cavitation cooling, the temperature of the liquid in defendants' pump during the standby operation would increase much more than it does; if so, the system tended to avoid overheating; we believe minimizing heating is "cooling" within the meaning of the patent specifications.[14] We find no merit in the contention that a cooling system must necessarily cause a temperature decline.

IV.

On June 14, 1967, plaintiff granted a license under the '845 patent to Lake Erie Machine Company (LEMCO). LEMCO is not a party to this litigation and the position it may occupy in any relevant market is not indicated by the record. The LEMCO license agreement contains the following provision:

> "A. During the life of this Agreement or any extension or continuation thereof, LEMCO agrees not to contest the validity of PANTHER Patent Number 3,254,845 or any continuation, divisions or reissues thereof or any corresponding foreign patents, provided however that no royalties shall become payable under this Agreement on subject matter of claims after a finding of invalidity of such claims by any competent court of final Appellate Jurisdiction."

---

14. As plaintiff's expert testified, a fan is "cooling" an automobile radiator even though its temperature may be rising as a car is being driven. See Tr. 1127.

In *Lear, Inc.* v. *Adkins*, 395 U. S. 653, decided in 1969, the Supreme Court held that a licensee is not estopped to challenge the validity of a patent; in view of that holding, the "no contest" provision in the LEMCO license is plainly unenforceable.[15] Defendants would therefore have us conclude that such a provision in a license is a "misuse" of the patent which forecloses recovery of damages for infringement by a non-licensee.

A fair evaluation of defendants' argument requires us to identify two different lines of authority. The first is "the series of decisions in which the Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly." *Blonder-Tongue Laboratories, Inc.* v. *University Foundation*, 402 U. S. 313, 343. It is this line of cases in which the "misuse" doctrine developed. "A second group of authorities encourage authoritative testing of patent validity." *Id.* at 344. Although the Court explained that the *Lear* opinion relied on both lines of authority, it expressly stated that its "holding that licensee estoppel was no longer tenable was rooted in the second line of cases eliminating obstacles to suit by those disposed to challenge the validity of a patent." *Id.* at 345. In our opinion neither of these two lines of cases justifies the application of the "misuse" doctrine in this case.

We have recently recognized the force of the policy of encouraging authoritative testing of patent validity. *Business Forms Finishing Service, Inc.* v. *Glowiak*, 452 F. 2d 70 (7th Cir. 1971). That policy, however, is not served by a rule which enables an infringer to escape liability without challenging the validity of a patent.

---

15. Plaintiff does not dispute this proposition. Note also the Court's comment on the provision in the *Lear* license requiring payment of royalties by the licensee until the patent is held invalid:

> "The parties' contract, however, is no more controlling on this issue than is the State's doctrine of estoppel, which is also rooted in contract principles." 395 U. S. at 673.

The policy underlying the misuse doctrine is designed to prevent a patentee from projecting the *economic* effect of his admittedly valid grant beyond the limits of his legal monopoly.[16] Misuse of the patentee's economic monopoly no doubt would have made the "no contest" clause in the LEMCO license unenforceable even before *Lear* was decided, but the cases limiting the manner in which a patentee may exploit his monopoly contain no suggestion that the existence of such a clause should itself be considered a "misuse."

Although the Supreme Court has unequivocally condemned the use of a patent as a beachhead from which competition in unrelated lines of commerce may be assaulted, it has also recognized that a patentee has a right to a full monopoly return on the invention which he has discovered and disclosed to the public.[17] It is his right to that return which provides the incentive for invention and disclosure which the entire patent system is designed to encourage. A fair appraisal of the policy considerations which underlie the patent system itself, in our view, makes it inappropriate to preclude enforcement of a valid patent against an infringing non-licensee simply because an unenforceable provision has been included in a patent license agreement.

The case would, of course, present a different issue if either the license provision or the patentee's exploitation of his patent produced economic consequences raising

16. See *Mercoid* v. *Mid-Continent Investment Co.*, 320 U. S. 661, 680 (Mr. Justice Jackson dissenting). See also the cases cited in *Blonder-Tongue Laboratories, Inc.* v. *University Foundation*, 402 U. S. 313, 344 n. 40, particularly *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488.

17. An early precursor of the *Lear* holding recognized not only that it is "important to the public that competition should not be repressed by worthless patents," but also "that the patentee of a really valuable invention should be protected in his monopoly." See *Pope Mfg. Co.* v. *Gormully*, 144 U. S. 224, 234.

serious questions under the antitrust laws. Such questions were present in *United States* v. *Singer*, 374 U. S. 174,[18] and were raised in *Bendix Corporation* v. *Balax, Inc.*,[19] 421 F. 2d 809, 819-821 (7th Cir. 1970), but are not present here.[20] We hold that the "no contest" clause in the LEMCO license, though unenforceable under *Lear*, does not constitute the kind of "misuse" of the patent which forecloses recovery of damages from an unlicensed infringer.

V.

The jury assessed damages of $150,000 against the corporate defendant. Defendant contends that this award was excessive.

Plaintiff's evidence indicated that its exclusive licensee paid a royalty of $75 per machine and that defendant sold 2,641 infringing machines. Plaintiff therefore argued that

18. Defendants rely heavily on the footnote in Mr. Justice White's concurring opinion, 374 U. S. at 200, as indicating that the subsequent decision in *Lear* should have been anticipated by plaintiff when the LEMCO license was executed. That argument, assuming its validity, does not affect our analysis of the misuse issue. In the *Singer* case, the court found a violation of the Sherman Act involving an agreement between competitors to exclude Japanese machines from the American market and to assist each other in a collective endeavor to obtain the broadest possible patent monopoly.

19. The counterclaim in *Bendix* alleged that a network of restrictive sales agreements "smothered most competition" in 75% of the swaging tap market. Without deciding the sufficiency of the allegation of a Sherman Act violation or "the relevance, if any, of *Lear*," we decided that the antitrust issues "should be first presented to the trial court for its consideration." 421 F. 2d at 820-821.

20. Defendants argue that the clause exceeds the limit of the monopoly grant because it precludes a challenge to "any continuation, divisions, or reissues," as well as to the '845 patent itself. But the license granted to LEMCO also broadly covered "patent extensions, reissues, and renewals and any patents issuing thereon . . ." and the no contest commitment terminated with the expiration of the license. See PX-69. Defendants make no claim that plaintiff has violated the antitrust laws.

it should recover at least $198,000 ($75 x 2,641). The jury's award was about 75% of that amount.

Defendant argues that the $75 negotiated rate was for an exclusive license; that its machines sold for a much lower price than the licensee's; and that a reasonable royalty should not exceed 5%, whereas the $75 rate applied to its sales would amount to 22%. Plaintiff replies that the percentages are misleading because different levels of distribution may be involved and, in any event, the statute merely makes the reasonable royalty a minimum measure of damages.[21]

No question is raised about the form of the trial judge's instructions on the damage issue. The question for us is not what the damage award should be, but rather whether the amount awarded by the jury is supported by the record. We conclude that it is.

VI.

The jury assessed damages of $5,000 against each of the individual defendants. All of the infringing pumps, however, were manufactured and sold by the corporate defendant. The individual defendants participated in the infringement in their capacity as officers and agents of the corporation. There is no suggestion in the record that the corporation is not financially responsible or that the individuals derived any direct benefit from the infringement.

The individual liability of managing officers of a corporation for acts of infringement committed by the corporation under their general direction was considered in

21. 35 U. S. C. § 284 provides, in part:

"Upon finding for the claimant the court shall award the claimant damages *adequate to compensate* for the infringement, *but in no event less than a reasonable royalty* for the use made of the invention by the infringer, together with interest and costs as fixed by the court. . . ." (Emphasis added.)

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depth in *Dangler* v. *Imperial Machine Co.*, 11 F. 2d 945, 946-948 (7th Cir. 1926).

"Respecting the liability of officers of a corporation for its infringements of letters patent, the authorities are not in accord. The weight of authority, it seems, denies such liability in the ordinary case. That is to say, if the officers act merely as officers, they are not liable jointly with the corporation. It is only when the officers act outside the scope of their official duties that they become liable. * * * There are, however, numerous authorities that hold the managing officers liable for damages committed by the corporation in case of infringements. The enforcement of this liability is seldom sought, except in case of insolvency of the corporation.

"These latter holdings are on the theory that the corporation commits the tort only under the direction of the managing officers, and therefore these officers, including the directors who authorize the manufacture and sale of the infringing devices, are liable.

* * * * *

"The latter view seems to have the support of the text writers. Robinson on Patents, § 912; Walker on Patents, §§ 410-412. This court has heretofore taken the position first announced, namely, that the officers are not liable unless they act outside the scope of their official duties. Cazier v. Mackie-Lovejoy Mfg. Co., 138 F. 654, 71 C. C. A. 104; Reed v. Cropp Concrete Mach. Co., 225 F. 764, 141 C. C. A. 90.

* * * * *

"After due consideration of the various authorities, as well as the reasons back of the two positions, we adhere to the Cazier v. Mackie-Lovejoy Mfg. Co. decision, and hold that, in the absence of some special showing, the managing officers of a corporation are not liable for the infringements of such corporation, though committed under their general direction. The uncertainty surrounding the questions of validity and infringement make any other rule unduly harsh and oppressive.

> "It is when the officer acts willfully and knowingly—that is, when he personally participates in the manufacture or sale of the infringing article (acts other than as an officer), or when he uses the corporation as an instrument to carry out his own willful and deliberate infringements, or when he knowingly uses an irresponsible corporation with the purpose of avoiding personal liability—that officers are held jointly with the company. * * *"

We adhere to *Dangler* and find no "special showing" in this record to support an award of damages against the individual defendants. The damage recovery against the corporate defendant will adequately compensate the plaintiff for the acts of infringement shown by the evidence.

The judgment against the individual defendants is reversed; the judgment against the corporate defendant is affirmed. Costs shall be taxed against the corporate defendant.

* * * * *

[19] Transcript of June 17, 1970

The Court: * * *

Now we get down to the— * * * —instructions, and, first of all, I am not going to give your 32-item special interrogatory. I am going to give two special interrogatories, one on the question of validity, answer yes or no, and I am going to give them one on the issue of infringement, yes or no.

Those are going to be the only special interrogatories, and you may except to my refusal to give your 32-count interrogatory with the yes or noes in it. I feel certain that that would so confuse—so much more confuse this jury, which I am convinced is thoroughly confused at the

present time, that it would just compound the problem that is before them.

* * * * *

[20] Many of these instructions are peremptory. They wind up directing verdicts for either the defendant or the plaintiff, depending on who submitted the instruction, and, of course, that's thoroughly condemned.

* * * * *

[34] Mr. Shulman: I know, but you say if you find the invention to meet these three requirements, then you must find the patent valid. And that's not so, because those three requirements can be present and something else can be absent, and the patent is invalid.

All I object to is the last sentence of 9.

The Court: Well, since the last sentence makes it a peremptory instruction, and I don't give peremptory instructions, I am just going to strike the last sentence.

* * * * *

[35] Mr. Shulman: Everything starting with the words "and in the lack of such," that's a peremptory instruction.

The Court: That's right.

"Defendants have the burden of showing, by clear and convincing evidence, that the patents in suit do not meet this requirement."

Then I will strike the last part of that sentence.

Mr. Petherbridge: We are learning new words, Judge, "peremptory" and—

The Court: Well, you don't have enough jury cases. If you had to follow IPI in some of these cases, you would know what the Courts say about peremptory instructions.

* * * * *

UNITED STATES COURT OF APPEALS

For the Seventh Circuit

Chicago, Illinois 60604

November 16, 1972.

Before

HON. JOHN S. HASTINGS, SR., *Circuit Judge,*

Hon. WILBUR F. PELL, JR., *Circuit Judge,*

Hon. JOHN PAUL STEVENS, *Circuit Judge,*

PANTHER PUMPS & EQUIPMENT COMPANY, INC.,
Plaintiff-Appellee,

No. 71-1125 *vs.*

HYDROCRAFT, INC., ET AL.,
Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

(67 C 201)

On consideration of the petition for rehearing filed in the above-entitled cause,

It Is Hereby Ordered that the petition for rehearing in the above-entitled appeal be and the same is hereby *denied.*

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1972.

No. 72-1124

HYDROCRAFT, INC., AN OHIO CORPORATION, PAUL W. SCHLOSSER, AN INDIVIDUAL, AND EDWIN H. DRATH, AN INDIVIDUAL,

Petitioners,

vs.

PANTHER PUMPS & EQUIPMENT COMPANY, INC., AN ILLINOIS CORPORATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI OF DEFENDANTS HYDROCRAFT, ET AL.

JOHN M. O'NEILL,
ROY E. PETHERBRIDGE,
PETHERBRIDGE, O'NEILL & LINDGREN,
53 West Jackson Boulevard,
Suite 715,
Chicago, Illinois 60604,
(312) 922-1018,
Attorneys for Respondent.

Gunthorp-Warren Printing Company, Chicago • 346-1717

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RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI OF DEFENDANTS HYDROCRAFT, ET AL.

INTRODUCTION.

Respondent opposes Defendants' Petition for Writ of Certiorari.

OPINIONS BELOW.

In addition to the opinion of the U. S. Court of Appeals for the 7th Circuit, 468 F. 2d 225, 175 USPQ 577 (7 Cir. 1972), the opinions of the District Court in connection with Defendants' post-trial motions, Defendants' Motion under Rule 60(b), Defendants' Petition for Rehearing addressed to the 7th Circuit

Court of Appeals, and Defendants' Motion for Leave to File a Supplemental Record and Memorandum Instanter and the briefs in connection therewith are called to this Court's attention, all of which related, in addition to others, to the present issue. This issue then was considered by the Trial Court and the Court of Appeals.

JURISDICTION.

Jurisdiction is not questioned.

QUESTIONS PRESENTED.

Whether this Court or the Court of Appeals is in the business of preparing standard jury instructions as to a statutory standard at the request of a losing Defendant in a jury trial where the Defendant had submitted instructions on such issue, the burden of proof of which was on Defendant.

STATUTES INVOLVED.

The Petitioners correctly stated the statute involved.

STATEMENT OF THE CASE.

This is a patent infringement suit brought by Respondent, Panther Pump & Equipment Company, Inc. (Panther) against Petitioners, Hydrocraft, Inc., Et Al. (Hydrocraft) alleging infringement of certain claims of two U. S. Patent Nos. 3,254,845 and 3,367,270. The case was tried to a jury at the demand of Panther. Based on the instructions of the Court and after a two week trial, the jury found the asserted claims of the two patents in suit valid and infringed and so indicated in special interrogatories submitted to the jury by the Court at the behest of the Defendants.

The Defendants then moved for a judgment not withstanding the verdict. The motion was extensively briefed by both parties and the Court denied Defendants' motion. The Court entered a judgment in accordance with the jury findings and issued an injunction against the Defendants. The Defendants then filed a Motion for Relief from Judgment under Rule 60(b) based on an allegedly newly discovered patent. This Motion was briefed by both parties and the Court ruled against the Defendants.

The Defendants next appealed to the 7th Circuit Court of Appeals, but did not in any way move to stay the injunction. The parties' appeal briefs were filed and an oral hearing held before Judge Hastings, Pell, and Stevens of the 7th Circuit Court of Appeals.

At the hearing on the oral argument in the 7th Circuit Court, the Court raised the question as to why the Defendants did not include the Trial Court's instructions as part of the abbreviated record and why the Defendants did not raise as an issue the adequacy of all or some of the instructions or the issue of the proper presentation of the statutory standard of invention. The Defendants, after the oral argument and based on the Court's questions, moved for leave to file the jury instructions as part of the record and a memorandum in support thereof. The parties briefed this motion and this motion was granted. (See Appendix.)

The Court of Appeals then issued a decision affirming the Lower Court judgment. Defendants then petitioned the Court of Appeals for a rehearing for the first time on the sole issue that the Court of Appeals failed to review the jury decision on patent validity. (See Appendix.) The parties briefed this issue and the Court of Appeals denied the Petition for Rehearing.

ARGUMENT.

The Defendants first argue there is uncertainty and confusion as to how a Court should judicially review a jury's legal conclusion on patent validity in view of the 7th Circuit Court's decision in this case. However, in its decision in this case the 7th Circuit Court *did* indicate how the *Graham* guidelines for judicially reviewing the legal question of patent validity can be applied to a jury verdict on validity.

In its decision in this case the 7th Circuit Court said:

> "This holding does not mean, as defendants contend, that the legal conclusion on patent validity may not be reviewed under the *John Deere* guidelines whenever a jury returns a general verdict. As in any other jury trial, the court's rulings on questions of law are subject to review. If the ultimate issue of validity depends on subsidiary fact questions, it is the court's duty to instruct the jury that it should return one verdict if the facts are found one way and a different verdict if the facts are found otherwise. In such event, as in other cases tried to a jury, the reviewing court will presume that the disputed matter of fact have been resolved favorably to the prevailing party in accordance with the trial judge's instructions.
>
> The task of giving error-free instructions in a patent case may indeed be extremely difficult. But we are not asked in this case to consider whether the instructions to the jury were improper in any respect. We therefore have no occasion to express any opinion about the adequacy of the instructions as a whole, or any specific instruction which may have been given over the objection of the losing party."

Note, however, that in this case the Defendants never placed in issue the jury's finding of validity of the patents in suit until Defendants filed their Motion for a rehearing after the Circuit Court's decision was issued. See attached copy of the Index of Defendant-Appellants' opening brief and attached copy of Defendants' Petition for Rehearing. Contrary to Defendants' al-

legations, the 7th Circuit Court in its decision, as quoted above, did indicate how, when properly presented as an issue to the Court, the Court conducts a judicial review of a jury case, in accordance with the *Graham* guidelines.

Regarding District Court Judge Wills' statement in open court quoted by Defendants (page 6 of Defendants' brief) that there are a number of judges who do not believe that it makes sense to have a jury trial in a patent case, it is well known that there are a number of judges who do not think there should be a jury trial in any kind of case. Fortunately and constitutionally, this Court denied certiorari in a recent case in which the issue was raised whether a party had a right to a trial by jury in a patent case. *Stanley* v. *Tights, Inc.*, 171 USPQ 321 (October 12, 1971.)

The 7th Circuit Court's decision does not emasculate this Court's requirement that the Courts apply a uniform standard in judicially reviewing th legal question of patent validity.

If one reads even the Appendix to the Appellants' opening appeal brief in conjunction with the Court's decision on this question, it is abundantly clear that the issue before the Court of Appeals was *not* whether the Court of Appeals was asked to determine whether the jury applied a proper standard but rather whether the Trial Court was required to give special interrogatories at the request of the Defendant as to the statutory standard as interpreted by the *Graham* case. The Court of Appeals in its decision recognized this to be the issue and first stated that their rules did not require a *jury* to make detailed *written* findings of fact, as Rule 52(a) of the Federal Rules of Civil Procedure requires of a judge who sits without a jury. The Court of Appeals next said that it was discretionary with the Trial Court whether to give special interrogatories and that, in this case, the Trial Court did not abuse its discretion in refusing to do so. The Court then said that its *holding* on these two issues *as presented by the Defendants* does not mean that the legal conclusion of patent validity may

not be reviewed under the *Graham* guidelines whenever a jury returns a general verdict.

Certainly, the decision of the 7th Circuit Court when properly interpreted in the light of the above factors, conforms to this Court's requirement that the Court apply a uniform standard in judicially reviewing the legal questions of patent validity. But the fact remains that in this case the Court of Appeals was *never* asked to review the legal question of patent validity until Defendants' Motion for Rehearing.

Again contrary to Defendants' assertions, the 7th Circuit Court's decision does not create a lower standard of judicial review on the legal question of validity when the question is decided by a jury than when it is decided by a trial court.

Respondent agrees with Petitioners' statements on page 7 of their brief as to the requirements of *Graham*.

The *Harries* v. *Air King Prods. Co.* case, 183 F. 2d 158, 162 (2d Cir. 1950), cited on page 8 of Defendants' brief was decided before the 1952 Patent Act. 35 U. S. C. 103 was enacted to overcome the problems discussed by Judge Hand. Moreover, there are many types of cases tried by juries composed of individuals with only ordinary experience which involve complex issues; not just patent cases.

Furthermore, since the Court of Appeals was not asked to judicially review the question of validity, until the Defendants' Motion for Rehearing, there was no issue before the Court which would require remand as Defendants state on pages 8-9 of their brief. Indeed, Defendants asked for reversal and/or remand.

Correctly interpreted the decision of the 7th Circuit Court in this case is not contrary to the *Graham* and *Anderson* cases, as Defendants suggest on page 9 of their brief.

Judge Wills' comment (page 9 of Defendants' brief) when considered in the light of Petitioners' argument that special interrogatories would cure the problem or in the light of the

decision of the 7th Circuit Court in this case that either special interrogatories or the instructions be reviewed to determine if the jury was guided as to the statutory standard of 35 U. S. C. 103 as interpreted by the *Graham* case indicates a questionable partiality on the part of this particular trial judge for bench trials in patent cases rather than jury trials.

The Respondent has no way of replying to Petitioners' comment about the number of patents declared invalid (page 9 of Defendants' brief), but does question whether "subjected to judicial review" means that the Appeals Court or Supreme Court reversed. Also certainly, with competent counsel, a jury would not be inclined to "rubber stamp the Patent Office's determination" of validity.

Again Respondent has no way of replying to Petitioners' statements (page 10 of Defendants' brief) that the "courts" were declaring invalid over 70% of judicially reviewed patents while juries were declaring valid 100% of the patents on which they decided the legal question of patent validity, and in each such instance, the jury's legal conclusion was reversed by a court judicially reviewing it. However parenthetically, in the decision of the Court of Appeals in this case it was noted that there were only *13* patent jury cases tried in a three year period.

Again, competent counsel could effectively counter any psychological intimidation (suggested on page 10 of Defendants' brief) by the imposing appearance of the Letters Patent itself, with its blue ribbon and red seal, and a sovereign act of the executive branch of the United States government.

To repeat, the 7th Circuit Court did not dispense with the *Graham* guidelines in this case because it was never asked to judicially review the jury's conclusion of validity. All that was put in issue by Defendants was whether on appeal the Trial Court erred by not granting Defendants' request for 32 special interrogatories to be given to the jury.

Certainly a proper interpretation of the 7th Circuit Court's decision here will not give patentees with patents of questionable validity the right to assert their patents against the public and demand a jury trial secure in the knowledge that their patents will be subject to a lower standard of judicial review nor affect the uniformity which this Court intended to construct with the *Graham* guidelines.

CONCLUSION.

In this jury case, there was no uncertainty, confusion, or a lower standard of review than there would have been in a bench trial.

Defendants' Writ should be denied.

Respectfully submitted,

JOHN M. O'NEILL,
ROY E. PETHERBRIDGE,
PETHERBRIDGE, O'NEILL & LINDGREN,
53 West Jackson Boulevard,
Suite 715,
Chicago, Illinois 60604,
(312) 922-1018,
Attorneys for Respondent.

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APPENDIX TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

ROY E. PETHERBRIDGE,
JOHN M. O'NEILL,
PETHERBRIDGE, O'NEILL & LINDGREN,
53 West Jackson Boulevard,
Suite 715,
Chicago, Illinois 60604,
(312) 922-1018,
Attorneys for Respondent.

Gunthorp-Warren Printing Company, Chicago • 346-1717

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit

No. 71-1125.

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Plaintiff-Appellee,

vs.

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Defendants-Appellants.

On Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
Honorable RICHARD B. AUSTIN, *Judge Presiding.*

APPELLANTS' OPENING BRIEF

ALVIN D. SHULMAN
Two First National Plaza
Chicago, Illinois 60670
346-5750

ARTHUR T. SUSMAN
33 North Dearborn Street
Chicago, Illinois 60602
346-3461
Attorneys for Defendants-Appellants

Of Counsel:

MERRIAM, MARSHALL, SHAPIRO & KLOSE
Two First National Plaza
Chicago, Illinois 60670

ORLIKOFF, PRINS, FLAMM & SUSMAN
33 North Dearborn Street
Chicago, Illinois 60602

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APPENDIX TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

PANTHER PUMPS & EQUIPMENT CO., INC.,
Plaintiff-Appellee,

vs.

HYDROCRAFT, INC., PAUL W. SCHLOSSER and EDWIN H. DRATH,
Defendants-Appellants.

No. 71-1125

PETITION OF HYDROCRAFT ET AL. FOR REHEARING.

Rehearing is requested because this Court, in its decision of October 24, failed to review the lower court's decision on patent validity. This Court reviewed only the procedure followed by the lower court in submitting the question of patent validity to the jury, but the validity determination itself was not subject to review. The necessity for such a review was strongly urged in our opening brief.

In our opening brief we argued that, in reviewing the lower court's legal conclusion on patent validity, this Court had to independently make its own legal conclusion on validity to determine whether the proper legal standard was applied, and that, in doing so, it had to base its legal conclusion on factual determinations of the type set forth in *Graham* v. *John Deere Co.*, 383 U. S. 1, 17. (Appellants' Opening Brief, pp. 17-18).

We further argued that this Court could not review the legal conclusion on patent validity under the *John Deere* guidelines

because there were no factual determinations, of the type required by *John Deere,* on which such a legal conclusion could be based; and we requested that the case be remanded for the required factual determination. (Appellants' Opening Brief, pp. 20-21).

We *separately* argued that there was a procedural error arising from the refusal of the trial court to submit to the jury special interrogatories from which the required factual determinations could have been obtained. (Appellants' Opening Brief, pp. 24-25).

As part of the record *filed with our opening brief* we included a portion of the trial transcript at which the trial judge refused to instruct the jury that it should return one verdict if the facts are found one way and another verdict if the facts are found otherwise (Tr. of June 17, 1970, pp. 34-5). Such instructions were characterized by the trial judge as peremptory instructions.*

We did not argue that the trial court's refusal to give peremptory instructions was a procedural error, but we did argue that there was a complete absence of the factual determinations necessary to enable a review by this Court in accordance with *John Deere* guidelines (Appellants' Opening Brief, pp. 20-21).

In its opinion, this Court acknowledged that the lower court's legal conclusion on patent validity is subject to review by this Court and that, in making such a review, the *John Deere* guidelines are to be followed (Op., pp. 4-5).* This Court further held that the *John Deere* guidelines can be followed without requiring special interrogatories because the factual determina-

---

* Tr. of June 17, 1970, pp. 34-5:

". . . I don't give peremptory instructions, ...

* * * * *

"If you had to follow IPI [Illinois Pattern Jury Instructions] in some of these cases, you would know what the Courts say about peremptory instructions."

* "Op." refers to this Court's written opinion dated October 24, 1972.

tions, on which a *John Deere*-type review must be based, can be presumed from peremptory-type jury instructions.**

This Court declined to consider the refusal of the trial court to submit peremptory-type instructions to the jury as a procedural error because we did not raise it, as such, prior to the oral hearing (Op., p. 5, n. 10).

Thus did this Court dispose of the procedural issues. Having disposed of the procedural issues, and having held that the proceedings below did not preclude this Court from reviewing the legal conclusion of validity under the *John Deere* guidelines (Op., pp. 4-5), it was then incumbent upon this Court to make such a review. Our opening brief asserted the necessity for such a review (pp. 17-18), and both the law and the public interest on the question of patent validity required such a review.*

No such review was made.

There is nothing in the opinion itself to indicate that this Court reviewed the legal conclusion of patent validity in accordance with *John Deere* guidelines (or any guidelines). Nor can such a review be inferred because the factual determinations required as a basis for such a review are completely absent.**

From the beginning we have sought a judicial review of the lower court's legal conclusion on patent validity, in accordance

** "If the ultimate issue of validity depends on subsidiary fact questions, it is the court's duty to instruct the jury that it should return one verdict if the facts are found one way and a different verdict if the facts are found otherwise. In such event, as in other cases tried to a jury, the reviewing court will presume that the disputed matters of fact have been resolved favorably to the prevailing party in accordance with the trial judges instructions." (Op., p. 5).

* These propositions and supporting authority are cited in Appellants' Opening Brief, pp. 18 and 22.

** As indicated in this Court's opinion, there are only two possible sources for such factual determinations: (1) answers to special interrogatories or (2) presumptions from peremptory-type jury instructions (Op., pp. 4-5); and neither is present here (Op., p. 4; Tr. of June 17, 1970, pp. 34-5).

with *John Deere* guidelines (Appellants' Opening Brief, pp. 17-18 and 20-21); but, so far, no Court has given us such a review. As a matter of law, as a matter of justice and as a matter of fairness we are entitled to such a review.

Rehearing is requested for the purpose of having this Court make such a review or take such steps as would enable it to do so.

Respectfully submitted,

/s/ Alvin D. Shulman,
Alvin D. Shulman,
Merriam, Marshall, Shapiro & Klose,
Two First National Plaza,
Chicago, Illinois 60670,
346-5750,

Arthur T. Susman,
Orlikoff, Prins, Flamm & Susman,
33 North Dearborn Street,
Chicago, Illinois 60602,
346-3461,
Attorneys for Defendants-Appellants.

November 7, 1972.

Certificate of Service.

A copy of the foregoing "Petition of Hydrocraft et al. for Rehearing" was sent to Petherbridge, O'Neill & Lindgren, Attorneys for Plaintiff-Appellee, at 53 West Jackson Boulevard, Chicago, Illinois 60604, by United States mail, postage prepaid, this 7th day of November, 1972.

/s/ Alvin D. Shulman,
One of the Attorneys for Defendants-Appellants.

IN THE UNITED STATES COURT OF APPEALS

* * (Caption—71-1125) * *

PLAINTIFF-APPELLEE'S MEMORANDUM IN OPPOSITION TO DEFENDANTS-APPELLANTS' MOTION FOR LEAVE TO FILE SUPPLEMENTAL RECORD AND MEMORANDUM INSTANTER.

Background.

Subsequent to the filing of the briefs by the parties in the captioned appeal and the hearing of oral arguments by this Court, Defendants moved this Court for leave to file a supplemental record and have included a Memorandum Instanter with the motion.

The supplemental record which Defendants request be filed with this Court are the actual instructions given to the jury during trial of this case, specifically pages 1-24 of the transcript entitled "June 19, 1970 (Excerpt)".

Plaintiff opposes the Defendants' motion on the grounds that Defendants' motion raises new issues (i.e. with respect to the jury instructions) which were not raised before the Trial Court nor this Court until now. Such failure to raise such issues constitutes a waiver of the right of Defendants to urge error based on this supplemental record and any new issues relating thereto.

A. DEFENDANTS HAVE WAIVED THE RIGHT TO INCLUDE THE SUBJECT PORTION OF THE TRANSCRIPT AS A SUPPLEMENTAL RECORD AND ISSUES RELATING TO THE INSTRUCTIONS THEREIN.

The submission at this time of the instant motion and memorandum by Defendants indicates that Defendants believe they have a right to make a "piece-meal" presentation of issues in this appeal. At no time prior to oral hearing, did Defendants ever indicate that they were relying on that portion of the tran-

script which is now sought to be filed as a supplemental record nor were any objections to the instructions ever raised by Defendants, even though other issues, properly raised, were extensively briefed in post-trial briefs and in the appeal briefs.

In fact, it is clear that Defendants never intended to rely on the subject portion of the transcript because of (1) Defendants' failure to even designate that portion of the transcript containing the jury instructions as part of their record in accordance with Rule 10b of the Federal Rules of Appellate Procedure and (2) the absence of any objections by Defendants pertaining to the instructions at any stage of this appeal prior to oral hearing.

Defendants would not have made this belated attempt to include the instructions as part of the record if this Court itself had not pointed out to Defendants, during oral argument, that the jury instructions were not before this Court nor were any issues based thereon included in their assignment of errors by the Trial Court. Defendants realized for the first time that there might be possible issues as to the jury instructions at the appeal hearing.

It was on previous motion by Defendants that this Court ordered that the Alternative method of designating contents of the appendix and preparation and filing of the appendix under Rule 30c be used by the parties. This alternative method provides that the parties each designate *at the time of filing of their briefs* the portions of the transcript which they intend to rely upon on appeal. It was the choice of Defendants to use the alternate method in this appeal. Having failed to include the instructions in their designation, Defendants have no right to add this portion of the transcript as part of the record at this late stage of the appeal. The omission of the jury instructions from the Defendants' record was not an oversight on Defendants' part but a conclusive indication that Defendants did not ever intend to raise and had not raised objections to the instructions actually given to the jury as issues in this appeal.

It is the duty of an appellant to file and serve on appellee a

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statement of the issues it intends to present on appeal as required in Rule 10b of the F. R. A. P. The proper time to advise an appellee of the issues to be relied upon on appeal arises during the briefing period. For a discussion of Rule 10b in this regard, see *Moore's Federal Practice* (2nd edition) Volume 9, page 1625.

In Defendant's post trial briefs and in their briefs filed in this appeal, no statement of issues or objections pertaining to the jury instructions were set forth. The issues presented by Defendants on appeal included one directed to whether the trial court erred with respect to not eliciting factual determinations from the jury in the form of special interrogatories. Defendants, at no time prior to the oral hearing, made any reference, objection, or statements with respect to the form or content of the instructions actually submitted to the jury. It is undeniable that Defendants failed to apprise Plaintiff or the Court of their intention to base their appeal on issues pertaining to the instructions themselves prior to the oral hearing.

Defendants, therefore, necessarily waived all right to add the subject supplement record and to raise any issues respect to the instructions at this late date.

Accordingly, Defendants' motion should be denied because it raises new issues which were not timely raised by Defendants.

B. There Is No Authority Required That a Jury Verdict Be Accompanied by Specific Findings of Fact.

Defendants also argue in their memorandum that it is irrelevant whether Defendants waived objection to form of the instructions since, as a matter of law, this Court must have before it specified findings of fact in order to make legal conclusions regarding obviousness, basing their contention on their interpretation of the Supreme Court decision of *Graham* v. *John Deere Co.* Defendants contention in this regard is wholly without foundation. The Court in the *Graham* v. *John Deere*

Co. case was only interpreting the statutory standard of obviousness provided in 35 U. S. C. 103. *John Deere* was not promulgating new law in the area of obviousness, but merely interpreting the legal *standard* of *invention* set forth in 35 U. S. C. 103 and the Court set forth what fact determinations a trial court *in a bench trial* should make in conjunction with the statute.

As this Court noted at the oral hearing, there is a clear distinction between an action tried without a jury and one with a jury. It is mandatory in any action tried without a jury that the court must make findings of acts specially as required by Rule 52 of the Federal Rules of Civil Procedure. On the other hand, neither the statutes, judicial interpretation nor the Federal Rules require a jury to make written findings of facts specially. Moreover, the Federal Rules specify that submission of special interrogatories to a jury is discretionary with the trial court, as provided in Rule 49.

Interestly, of the five "proposed instructions" included as Exhibits by Defendants with their instant motion; three of them were directed to infringement issues, another proposed instruction 65, related to alleged conduct of the patentee, while only *one*, proposed instruction 49, had any relevance at all to validity of the patents in suit. These proposed instructions are clearly peremptory in form and usurp the jury of its proper fact finding function. The trial court, recognizing that these type of instructions would divest the jury of its proper fact finding role, properly concluded that this peremptory form of instruction should not be submitted.

Moreover, an analysis of Defendants' proposed instruction 49, relating to validity, indicates that the jury was actually advised in the instructions given of the statutory standard of invention proposed by Defendants' instruction. Instruction 49 would have asked the jury to determine whether the differences, if any, between the Postweiler patent and the claims of the patents in suit would have been obvious to one skilled in the art. However, referring to the actual instructions given

to the jury as set forth in the last paragraph of page 9 and the first paragraph of page 10 of the portion of transcript exhibited by Defendants, it is abundantly clear that the jury was in fact instructed in a manner proposed in instruction 49. Particularly, on page 10 of the instructions, the jury was advised that it should determine whether the differences between the prior art and the claims of the patents were obvious to a person having ordinary skill in the art. Thus, the jury was clearly instructed as to the proper standard of obviousness (35 U. S. C. 103) in accordance with *John Deere*.

In a patent case, like any other action in the Federal Courts, it is only necessary that the instructions to the jury advise them of the proper statutory standard of invention and other pertinent law to be applied by the jury to the facts as they find them to be in reaching their verdict. In reviewing a jury verdict with respect to the issue of obviousness on appeal, it would only be necessary for the Court of Appeals to determine whether the jury was actually instructed as to the proper standard of obviousness (35 U. S. C. 103) if this were raised as an issue on appeal. However, the question whether the instructions given to the jury did, in fact, properly advise the jury of the legal standard of obviousness has *never* been raised by Defendants in this appeal.

Conclusion.

For these reasons Defendants' motion should be denied because it involves new issues which have not been timely presented in this appeal.

Respectfully submitted,

/s/ John M. O'Neill,
John M. O'Neill,
Petherbridge, O'Neill & Lindgren,
53 West Jackson Boulevard,
Chicago, Illinois 60604,
922-1018,
Attorneys for Plaintiff-Appellee.

Certificate of Service.

It is hereby certified that a copy of the foregoing Plaintiff-Appellee's Memorandum in Opposition to Defendants-Appellants' Motion for Leave to File Supplemental Record and Memorandum Instanter was today mailed to Alvin D. Shulman, Merriam, Marshall, Shapiro & Klose, Two First National Plaza, Chicago, Illinois 60670 and Arthur T. Susman, Orlikoff, Prins, Flamm & Susman, 33 North Dearborn Street, Chicago, Illinois 60602, the attorneys for Defendants-Appellants, by depositing the same in an envelope appropriately stamped, First class mail.

/s/ John M. O'Neill,
John M. O'Neill,
Petherbridge, O'Neill & Lindgren,
53 West Jackson Boulevard,
Chicago, Illinois 60604,
922-1018,
Attorneys for Plaintiff-Appellee.

IN THE UNITED STATES COURT OF APPEALS

* * (Caption—71-1125) * *

DEFENDANTS-APPELLANTS' MOTION FOR LEAVE TO FILE SUPPLEMENTAL RECORD AND MEMORANDUM INSTANTER.

In order to answer questions, raised for the first time at the oral argument on September 15, 1972 by Judge Stevens as to the facts and the law concerning the instructions to the jury in this patent case, defendants move for leave to file, as a supplemental record, the actual instructions given to the jury, a true copy of which is submitted herewith,* and to file a supplemental memorandum, instanter, discussing the facts and the law surrounding these questions.

Judge Stevens noted that the instructions to the jury were not in the record. We have investigated and found that while the record included some of the refused instructions and the argument over proposed instructions, through inadvertence, the actual instructions given are not transcribed or otherwise found in the record. A transcript including these instructions was ordered immediately thereafter on the afternoon following the hearing, September 15, 1972, and said transcript is submitted herewith.

At the oral argument, Judge Stevens suggested that findings of the type required by the Supreme Court in *Graham* v. *John Deere Co.*, 383 U. S. 1, 17 (1966) could be inferred from instructions of the following type: "If you find facts A, B and C [as to the prior art, for example] then you must find for defendants on validity or infringement". Defendants agree with Judge Stevens. If such instructions could be framed, they could serve as the basis for inferring the fact findings of the jury upon which the court could base its own legal conclusions. Special interrogatories serve the same purpose. However, Judge Austin refused to give

* Transcript entitled "June 19, 1970 (Excerpt)," 24 pages.

the type of instructions suggested by Judge Stevens *and* refused to submit special interrogatories of any kind other than on the ultimate legal conclusion of validity.

The lower court referred to the "if you find A, B and C etc." instructions as "peremptory instructions" and, during a meeting between both parties and Judge Austin for the purpose of deciding upon instructions to be given to the jury, Judge Austin made it clear, as a matter of policy, that he would absolutely refuse any peremptory instructions submitted by any party (Tr. of June 17, 1970, pp. 34-5). Accordingly, no such instructions, from which factual findings of the type in question could be inferred, were given to the jury.

Some of the instructions tendered by defendants to Judge Austin before he ruled that he would not submit peremptory instructions, were of the type from which could be inferred findings in at least some of the areas in which findings were required by the Supreme Court in *Graham* v. *John Deere Co.* After Judge Austin made it clear that he would not submit such instructions, three of these instructions (Defendants' Proposed Instructions 27-29) were withdrawn (Tr. of June 18, 1970, p. 104). Other proposed instructions (Defendants' Proposed Instructions 49 and 65),* from which findings of the type in question could be inferred, were rejected by Judge Austin (Tr. of June 18, 1970, pp. 115-16, 121-23). Judge Austin expressly noted that all his refusals of our instructions were over our objections (Tr. of June 18, 1970, p. 113).

Because instructions from which findings of the type in question could be inferred were initially proposed by defendants but were withdrawn at the urging of the court or were refused over defendants' objections, there was no waiver on the part of defendants of such findings, as Judge Stevens suggested at the hearing that there might be.

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* Copies of proposed instructions 27-29, 49 and 65 are attached hereto.

Moreover, it is irrelevant whether this Court deems defendants to have waived objection to the form of instructions or not. This is because, as a matter of law, no act on the part of defendants can interfere with the obligation of this Court to make its own conclusion on the legal question of patent validity or with the obligation of this Court, in making such a legal conclusion, to follow the guidelines set forth in *Graham* v. *John Deere Co.* The Graham guidelines require that, in making such a legal conclusion, this Court must have before it findings of fact on (1) the scope and content of the prior art; (2) the level of ordinary skill in the art; and (3) the differences between the prior art and the patent claims. If these findings do not come before this Court in the record, either this Court must make the findings on its own, where this would be appropriate, or remand to the trial level for findings there. The obligation for the provision of such findings is as much an obligation of the Courts as it is of the parties.

In no event, can this Court make the required conclusion of law, which it must make, without having the required findings before it. No act by any party below, in connection with the submission of jury instructions or failure to object to submission of jury instructions can waive the requirement that this Court must make its own legal conclusion and that, in making such a legal conclusion, this Court must follow the guidelines set forth in *Graham* v. *John Deere Co.*

It is submitted that there is and should be no difference in the guidelines which must be applied by a Court of Appeals, in reviewing the question of patent validity, between (1) a patent case in which the legal question of patent validity has been determined by a judge and (2) a patent case in which the legal question of patent validity has been determined by a jury.

Conclusion.

In summary, defendants initially attempted to elicit factual findings by instructions of the type suggested by Judge Stevens. Both this type of instruction and the use of special interrogatories

on factual issues were rejected by the trial court. Fact findings of the type in question cannot be inferred from the findings actually made, and there was no waiver by defendants. But, in the final analysis, no act on the part of any party, and no instruction, whether given or rejected, can waive the requirement that this Court must make its own independent conclusion on the legal question of validity and must follow the *Graham* guidelines in doing so.

Respectfully submitted,

/s/ Alvin D. Shulman,
Alvin D. Shulman,
Merriam, Marshall, Shapiro & Klose,
Two First National Plaza,
Chicago, Illinois 60670,
346-5750,

Arthur T. Susman,
Orlikoff, Prins, Flamm & Susman,
33 North Dearborn Street,
Chicago, Illinois 60602,
346-3461,

Attorneys for Defendants-Appellants.

Certificate of Service.

A copy of the foregoing "Defendants-Appellants' Motion for Leave to File Supplemental Record and Memorandum Instanter" was sent to Petherbridge, O'Neill & Lindgren, Attorneys for Plaintiff-Appellee, at 53 West Jackson Boulevard, Chicago, Illinois 60604, by United States mail, postage prepaid, this 19th day of September, 1972.

/s/ Alvin D. Shulman,
One of the Attorneys for Defendants-Appellants.

IN THE UNITED STATES DISTRICT COURT,

Northern District of Illinois

Eastern Division.

PANTHER PUMPS & EQUIPMENT COMPANY, INC., an Illinois corporation,
Plaintiff,
vs.
HYDROCRAFT, INC., an Ohio corporation, et al.,
Defendants.

No. 67 C 201

TRANSCRIPT OF PROCEEDINGS

Before

Hon. Richard B. Austin

June 19, 1970

(Excerpt)

Ramond J. Comeau
Official Court Reporter

United States District Court
219 S. Dearborn Street
Chicago, Illinois 60604

Telephone 427-1305

IN THE UNITED STATES DISTRICT COURT.

* * (Caption—67-C-201) * *

EXCERPT OF PROCEEDINGS

had in the above-entitled cause before the Honorable Richard B. Austin, one of the Judges of said court, and a jury, in his courtroom in the United States Courthouse, Chicago, Illinois, on June 19, 1970, at 10:00 a.m.

Present:

Mr. Roy E. Petherbridge and Mr. John M. O'Neill, on behalf of Plaintiff;

Mr. Alvin D. Shulman, and Mr. Arthur T. Shulman, on behalf of defendants.

[2] The Clerk: Case on trial.

Mr. Petherbridge: For the record and as indicated by the Judge off of the record last night, the Judge decided to give an additional instruction and he asked, and I noted my objection to it, and he asked that I note it on the record this morning that I objected to—

The Court: That is Plaintiff's Instruction No. 78?

Mr. Petherbridge: That would be the defendants'.

The Court: That is Defendants' Instruction No. 78.

Mr. Petherbridge: Thank you, your Honor.

The Court: All right.

Go and get the jury.

(The following proceedings were had in open court, in the presence and hearing of the jury:)

The Court: You may be seated, ladies and gentlemen.

As I told you at the outset, you were the judge of the facts and you were the judge of the credibility of the witnesses. I was

the judge of the law. I told you that the way a case is that you determine the facts among yourselves and then apply those facts as you find them to be to the law that I am about to give you. In that way you arrive at a verdict.

Now, you have been chosen and sworn as jurors [3] in this case to try the issues of fact presented by the allegations of the amended complaint of the plaintiff, Panther Pumps & Equipment Company, and by the answers thereto of the defendants Hydrocraft, Inc., Paul Schlosser and Edwin Drath. You are to perform this duty without bias or prejudice as to either party or any party.

The law does not permit you to be governed by sympathy, prejudice or public opinion. The parties and the public expect that you will carefully and impartially consider all of the evidence, follow the law as I am stating it to you at this time, and reach a just verdict regardless of the consequences.

Now, this case should be considered and decided by you as an action between persons of equal standing, of equal worth and holding the same or similar stations in life. A corporation is entitled to the same fair trial at your hands as a private individual. All persons, including corporations, stand equal before the law and are to be dealt with as equal in a court of justice.

Now, in a civil action such as this it is proper to find that a party has succeeded in carrying the burden of proof on an issue of fact if after [4] consideration of all of the evidence in the case you believe that what is sought to be proved on that issue is more likely true than not true.

Now, the rules of evidence ordinarily do not permit a witness to testify as to his opinions or conclusions. A so-called expert witness is an exception to this rule. A witness who by education and experience has become an expert in any art, science or professional calling may be permitted to state his opinion as to the matter in which he is versed and which is material

to the case and should also state the reasons for such opinion. You should consider such expert opinion as was received in this case and give it such weight as you think it deserves. You may reject it entirely, if you conclude that the reasons given in support of the opinion are unsound.

Now, a witness may be discredited or impeached by contradictory evidence or by evidence that at other times the witness has made statements which are inconsistent with his present testimony from the witness stand. If you believe any witness has been impeached and thus discredited, it is your province to give the testimony of that witness such credibility, if any, as you think it deserves.

[5] If a witness is shown knowingly to have testified falsely concerning any material matter, you have the right to distrust the testimony of that witness and you may reject all of the testimony of that witness or give it such credibility as you may think it deserves.

Now, the plaintiff in this case claims damages for alleged infringement of the two patents in suit. The first patent in suit was originally applied for on December 11, 1964, and ultimately issued as Patent No. 3,254,845, on June 6, 1966. The plaintiff also, from the original application, obtained a second patent which issued on February 6, 1968, as U. S. Patent No. 3,364,370, and this is called the second patent in suit. Now, these patents are admittedly owned by the plaintiff and the plaintiff has a right to maintain this lawsuit.

The plaintiff alleges that the patents in suit are both infringed by the defendants. These two patents relate to hydraulic piston diaphragm pumps and more particularly relate to such pumps used in paint spraying.

Now, the patent laws of the United States provide, among other things, as follows:

> "Whoever invents or discovers any new and useful machine or any new and useful improvement [6] thereof

may obtain a patent therefor subject to the conditions and requirements of the patent laws."

In this case we are concerned with the claimed invention of the two patents in suit. Now, as to what must be included in the specifications of the patent, which is the preliminary part of those documents that you have been holding from time to time, Section 112 of Title 35 of the United States Code provides in part:

"The specifications shall contain a written description of the invention and of the manner and process of using it in such full, clear, concise and exact terms as to enable any person skilled in the art to which it pertains or with which it is most nearly connected to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention. The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention."

Now, the defendants have the burden of proving by clear and convincing evidence that the patents in suit do not meet this requirement.

Now, a patentee may be his own lexicographer, this is, his own writer of terms. That is, he can in [7] the patent specification give his own definition to terms. However, he cannot pervert the ordinary meaning of a term so that an antonym becomes a synonym. A word cannot be given a meaning which is the opposite of its ordinary meaning.

Now, in order for an invention to be patentable, the subject matter of the invention must fulfill three requirements; the subject matter must be, first, novel; second, useful; and, lastly, unobvious.

Now the defendants here assert that the patents in suit are not valid for the following reasons: First, because the claimed inventions of the patent in suit are not new within the meaning of the word as used in the patent law;

Second, because the claimed invention would have been obvious at the time the claimed inventions were made to one having ordinary skill in the art and who had before him all of the relevant prior art, by that we mean prior patents.

And, third, because the specifications are not written in such full, clear, concise and exact terms as would enable one skilled in the art to practice the claimed invention.

The requirement that an alleged invention [8] must be novel means that the alleged invention must be new and that the same thing has not been shown in prior art. What was previously patented or publicly described anywhere in the world or publicly known in the United States is collectively spoken of as prior art or the prior state of the art.

The devices disclosed in the prior art patents are presumed to be operative.

Now, a foreign patent is available as a prior art reference as against the patents in suit but only to the extent of whatever is clearly taught in the foreign patent.

The requirement that an alleged invention must be useful means that the alleged invention must be capable of being benefically used for the purpose for which it was designed.

On the question of obviousness, the scope and content of the prior art are to be determined. Differences between the prior art and the claims in issue are to be ascertained, and the level of ordinary skill in the pertinent art is to be resolved. Against this background the obviousness or unobviousness of the subject matter of the patents in issue are to be determined by you.

[9] Now, the test for obviousness is whether the differences between the subject matter patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

In determining whether the inventions are unobvious, you are entitled to consider the secondary factors such as commercial suc-

cess, recognition by others of the invention, copying by others, long felt but unsolved needs and problems of the prior art, the failure of others to solve the problems inherent in the prior art devices, among other factors, in order to appreciate the circumstances surrounding the origin of the subject matter which was patented. Inquiry into these factors is relevant to the issue of obviousness.

Now, in determining whether or not an invention would have been obvious to a person having ordinary skill in the art to which the subject matter of the invention pertains at the time, at the time the inventions were made, you may also consider the state of the art as of the point in time when the invention was made. Hindsight after the invention was made is of no value whatsoever in determining whether or not an [10] invention is obvious. To rely on the prior art at this time an alleged infringer need not have known of the prior art at the time he first made the accused device.

Now, the United States Patent Office is charged with the obligation of reviewing the state of the prior art before they issue patents in connection with any invention. Once the United States Patent Office has had an opportunity to review the state of the prior art and if they find that the invention is patentable over this prior art, then they are obliged to issue a patent.

Now, the defendant has the burden of coming forward with clear and convincing evidence to establish the patents in suit are not valid. Section 282 of Title 35 of the United States Code states that a patent duly issued by the United States Patent Office is presumed to be valid. In other words, the law presumes, in the absence of clear and convincing evidence to the contrary, that the Patent Office acted correctly in issuing a patent. The presumption of validity continues in effect unless there is clear and convincing evidence in the case that leads you to a different or a contrary conclusion.

Now, the presumption of the validity of a [11] patent is rebuttable and may be overcome or weakened where pertinent

prior art relied upon by the defendant was not considered by the Patent Office. Whereas, here an accused infringer is attempting to rely on patent invalidity in a patent infringement suit, the statutory presumption of patent validity is strengthened where the prior art being relied upon by the accused infringer in the patent suit is of the same as or no better than the prior art which was considered and rejected by the Patent Office when issuing the patents in suit.

Now, you will read each of the two claims of the two patents in issue in the light of the drawings, the specifications, and you will consider whether the language of each claim of the two claims involved in the two patents involved is sufficiently definite and certain to comply with the requirements of the patent law that the claims shall point out and distinctly claim the alleged invention with particularity and with clarity.

Now, in regard to the first patent, that is the '845 patent, the claims that the plaintiff says are infringed, or the claim that the plaintiff says is infringed, reads as follows:

"A fluid power transfer apparatus including [12] a housing defining chamber, a driving fluid in said chamber, said fluid having reversible vapor and liquid phases and movable means for alternatively applying and removing pressure forces to and from the said fluid to cause reversal between said phases. Fluid power transfer apparatus substantially as set forth in Claim 1 including a variable load material in combination with said housing and wherein said movable means is a prime mover for moving said variable load material. Said drive fluid is a liquid disposed between the said prime mover and the said variable load comprising relatively incompressible liquid means interposed between the prime mover and the said variable load material, and means responsible to variations of the variable load material being driven for controlling a condition establishing driving and non-driving relationship of said prime mover and said variable load material. Said non-driving relationship being characterized by a cyclic vaporizing and condensing of said liquid whereby to lower horse-

power consumption of said prime mover. And, finally, a fluid power transfer apparatus substantially as claimed above, said prime mover being a pump and said variable load material being a paint spray gun."

In regard to the other patent, the plaintiff [13] claims that the defendant infringed Claim 19 which reads as follows; this is the '270 patent:

"In a liquid driven diaphragm fluid pump of the character described herein, the diaphragm has a limiting position of movement in the pump housing, a reciprocating piston of said housing for driving a mass of liquid for driving said diaphragm, means for controlling the quantity of the liquid in said housing comprising a source of driving liquid, liquid supply valve means and liquid communication between said source and the mass of the liquid, means for biasing said supply valve, means to close position and being opened by relatively low liquid pressure, a liquid vent valve means in liquid communication with the mass of liquid and liquid low pressure outlet for said vent valve means, said vent valve means being biased to closing position and being opened by pressure exerted by the driving liquid when said exerted pressure exceeds the pressure of the pump fluid by a predetermined degree of pressure, and valve means on the pumped fluid side of the diaphragm for controlling the delivery of pump fluid and including a closable pump fluid port. Said control valve means when closed causing operation of said vent valve means at one of the limiting positions of the diaphragm and, [14] finally, the liquid driven diaphragm fluid pump of Claim 12," which I just read to you, "wherein the reciprocating piston comprises the power means for driving a variable capacity load of pumped liquid, a driving liquid disposed between said reciprocating piston and said variable capacity load of pump liquid and automatically activated means responsive to the demands of said load for controlling the consumption of power of the prime mover."

Now, infringement of a patent occurs whenever a defendant, without authority from the plaintiff, makes, uses or sells patented

inventions—the patented invention anywhere in the United States during the term of the patent. If you find that the defendants or any one of them made, used or sold pumps of the patented invention in the United States, then you must find under those circumstances that there has been an infringement.

The plaintiff has the burden of proving that the patent or the patents are infringed.

In determining whether the defendant Hydrocraft Pump infringes the patents in suit, resort must be made in the first instance to the words of the claims charged to be infringed and if the defendant's pump clearly [15] falls within the words of any of the claims that I have read, infringement is made out. And in applying the claims to the defendant's pumps the claims must be read or interpreted in the light of the specifications, which is the written description of the invention in the patent.

Now, to establish infringement of a given claim, plaintiff has the burden of proving that the accused device includes each and every element recited in the claim or the mechanical equivalent thereof. The mechanical equivalent is something which performs the same function in the same manner to produce the same result.

Infringement cannot be established by comparing the accused device with the plaintiff's commercial device. The comparison must be made solely with the language of the claims.

Infringement of a patent also occurs where the defendant's pump performs substantially the same function in substantially the same way to produce substantially the same result as the invention set forth in the claims.

However, mere application of claim phraseology alone is not enough to establish infringement of a patent [16] nor is mere similarity of results, there must be an identity of means, operation and result.

So the plaintiff has alleged that the defendants' pump performs substantially the same functions in substantially the same

way to produce substantially the same result as the invention set forth in the claims. The plaintiff in this case claims damages for alleged infringement of the patents in suit. For this alleged infringement the plaintiff here seeks damages under the first count, 3,254—or under the first patent, 3,254,845 for the period commencing with the filing of this lawsuit, February 6, 1967.

And under the second patent, for the period commencing with the filing of the amended complaint, April 4th, 1968.

If you find for the plaintiff, then you must determine the dollar amount of damages that you award to the plaintiff to compensate the plaintiff for damages resulting from the infringement. Under the law your award of damages for the infringement shall in no event be less than the dollar amount of money that would have been received by the plaintiff if the defendants had been paying a reasonable royalty to the plaintiff for the sale of defendant's alleged infringing pumps or [17] with the paint spray gun.

In determining the damages you may take into account any established royalty rate that has been established in existing license agreements between the plaintiff and others relating to the patents in suit. And, finally, damages must be reasonable. In the event that your verdict is for the plaintiff, you may award it only such damages as will fairly and reasonably compensate it for the injuries or damages which you find from a preponderance of all of the evidence in the case it has sustained as a result of the activities of the defendant.

You are not permitted to award speculative damages. This means you are not to include in any verdict compensation for loss that which although possible is wholly remote or conjectural.

Now the Court finds that I left the verdicts that I am going to give you on my desk and I will have to go and get them. I will be right back.

(Thereupon a short recess was taken, after which the following further proceedings were had herein:)

The Court: Ladies and gentlemen, when you get to your jury room, the first thing you are going to [18] be permitted to do is to talk each other about this case, which I have been admonishing you not to do up to this point.

Now, in addition to general verdicts, there are going to be some special interrogatories or questions for you to answer, and the first one reads as follows:

"Is patent No. 3,254.845 a valid patent?"

Answer yes or no.

And when you have arrived at your unanimous answer, then whoever you elect foreman signs first and the other eleven jurors will sign afterwards.

The same interrogatory in regard to the other patent:

"Is Patent No. 3,367,270 a valid patent?"

Answer yes or no, and then you write in the "yes" or write in the "no" and then the jurors sign it.

The next one has to do with the infringement aspect and the interrogatory reads:

"Does Hydrocraft pump infringe Claim 23 in Patent 3,254,845?"

Answer yes or no.

And, finally, the last special interrogatory:

"Does Hydrocraft pump infringe Claims 19 in [19] Patent No. 3,367,270?"

Answer yes or no.

And when you have made your determination as to what your decision is, why, you will write either yes or no and it will be signed by the foreman and the eleven other jurors.

Now, of course, unless you find these patents both valid and both infringed, unless you find that, you will never get to this

verdict, however, in the event that you do find that the both patents are valid, in the event that you find that both patents have been infringed, then you get to this verdict, and in regard to—and there is a verdict for each of the three defendants. As you will recall, Hydrocraft, Inc., is a defendant, Mr. Schlosser is a defendant, and Mr. Drath is a defendant—in the event, having made these other determinations, you find the issues in favor of the plaintiff, Panther Pumps and Equipment Company, Inc., and against the defendant Hydrocraft, Inc., and assess damages in the sum of—there, in that verdict, if you find the issues in favor of the plaintiff, you will insert whatever sum you feel are proper damages under the instructions, that I have just given you.

In the event that you wish to find for [20] Hydrocraft and against Panther Pumps, the form of your verdict under those circumstances will be:

"We, the jury, find the issues in favor of the defendant Hydrocraft, Inc., and against the plaintiff Panther Pumps & Equipment Company."

Those are the two verdicts in regard to the corporations.

Now, in the event that you should find in favor of the plaintiff and against Mr. Schlosser, the form of your verdict will be:

"We, the jury, find the issues in favor of the plaintiff, Panther Pumps & Equipment Company, and against the defendant Paul W. Schlosser, as an individual, and assess plaintiff's damages in the sum of"— and there insert whatever sum you have arrived at.

In the event that you find for the defendant Paul Schlosser, the form of your verdict will be:

"We, the jury, find the issues in favor of the defendant Paul Schlosser as an individual, and against the plaintiff Panther Pump & Equipment Company."

And finally, ladies and gentlemen, in the event that you find for the Panther Pump Company and against Mr. Drath, the form of your verdict will be:

"We, the jury, find the issues in favor of [21] the plaintiff Panther Pump & Equipment Company, Inc., and against the defendant Edwin H. Drath as an individual and assess the plaintiff's damages in the sum of"— whatever amount you arrive at.

On the other hand, if you find in favor of Mr. Drath and against Panther Pump, the form of your verdict will be:

"We, the jury, find the issues in favor of the defendant Edwin H. Drath, an individual, and against the plaintiff Panther Pumps & Equipment Company."

Mr. Clerk, you will swear the Marshal.

(The Marshal was thereupon duly sworn.)

The Court: You may retire with the jury and here are the verdicts, Mr.—

Mr. Petherbridge: Your Honor, may I make one point? I think you may have misspoken. I think you said that if the jury—the jury must find both patents valid and infringed in order to arrive at damages. I think if the jury found either patent valid—

The Court: If they found either of them valid or if they find that it infringes a patent that is invalid then they—

Mr. Petherbridge: Yes, but—

The Court: The jury are instructed that they [22] may find either patent valid or either patent invalid. The jury are also infringed.

I think that clarifies it, doesn't it?

Mr. Petherbridge: Yes, your Honor.

The Court: I am sorry if I made a mistake. This, I guess, is not my day.

A Juror: Judge, your Honor, can I ask a question before we go in there? We would like to get this clear and I don't understand it myself, and I don't know whether the rest of them do.

You mentioned 19 and 23. Can we get a clearance on that, please, so we understand what we are talking about?

The Court: I am going to give you Claim 19 and I am going to give you Claim 23 to go to your jury room.

A Juror: Right.

The Court: And you are also going to get copies of the patents that are going to go in there. You are going to get these things that are going to go in there. You are going to be crowded in there with what we are going to send in. We are going to try to make it just as clear to you as we possibly can, and here are the verdicts. Here is Claim 19 and '270. [23] Here is Claim 23 and '845. And you will find plenty of material in your jury room to help you out on this very difficult case.

You may retire with the jury.

(The following further proceedings were had in open court out of the presence and hearing of the jury:)

The Court: You gentlemen will get your exhibits available for the Marshal to take to the Jury room.

Mr. Petherbridge: We will right now, your Honor.

The Court: All right.

[24] IN THE UNITED STATES DISTRICT COURT.

* * (Caption—67-C-201) * *

CERTIFICATE.

I hereby certify that the foregoing pages, numbered from 1 to 23, inclusive, are a full, true and accurate transcript of the official shorthand notes taken at the hearing of the above-entitled cause, of a certain portion of the proceedings had before the Honorable Richard B. Austin and a jury, on June 19, 1970.

/s/ Raymond J. Comeau,
Official Court Reporter,
United States District Court,
Northern District of Illinois,
Eastern Division.

Instruction Twenty-seven.

If you find that a piston-diaphragm pump with phase reversal or reduced horsepower on standby is in the prior art, then you cannot find infringement merely because the Hydrocraft pump has phase reversal or reduced horsepower on standby.

Instruction Twenty-eight.

If you find that the prior art includes a piston-diaphragm pump which restricts the injection of driving liquid on standby to less than the normal volume of the cylinder, then you cannot find infringement merely because the Hydrocraft pump does the same thing.

Instruction Twenty-nine.

If you find that the diaphragm assembly of the Hydrocraft pump does not come within the claims of '270 patent and is not the mechanical equivalent of the diaphragm assembly described in the '270 patent, then you must find for the defendants.

If you find that the diaphragm assembly of the Hydrocraft pump is the mechanical equivalent of the diaphragm assembly disclosed in the '270 patent you must also determine whether the Hydrocraft diaphragm assembly follows the diaphragm assembly of British Simpson Patent No. 887,774; and, if it does, you must find for the defendants as to the '270 patent.

Instruction Forty-nine.

For example, if the evidence in the case before you convinces you that the differences, if any, between what is taught by French Postweiler Patent No. 1,069,107 and what is claimed by the patents in suit, are such as would have been obvious to a person having ordinary skill in the piston-diaphragm pump art who set about to build a piston-diaphragm pump in September, 1963 and who had all the prior art before him, then the patents in suit are invalid.

Instruction Sixty-five.

Defendants contend that during the pendency of the application which issued as the '845 patent in suit, plaintiff had a duty to provide the Patent Office Examiner with an English translation of French Patent No. 1,069,107 or to advise the Examiner that this French patent disclosed a standby operation in which there was a reduction in horsepower and a restriction of the amount of driving liquid injected to an amount less than the normal volume of the cylinder, and that plaintiff failed to perform this duty.

If you so find then you must find that both patents in suit are unenforceable because plaintiff comes into court with unclean hands.